

Amendments to the Specification:

Please replace paragraph [0010] beginning on page 3 with the following rewritten paragraph:

[0010] A second aspect of the present invention is directed to video decoding. The invention involves decoding a base layer data-stream to construct base layer frames. ~~in fine granular scalable decoding~~ An SNR quality frame portion of an enhancement layer data-stream is fine granular scalable decoded to construct SNR quality frames. Extended base layer reference frames are constructed from the base layer frames and at least portions of the SNR quality frames. The extended base layer reference frames are motion-compensated to produce motion-compensated extended base layer reference frames. A temporal frame portion of the enhancement layer data-stream is fine granular scalable decoded to construct motion-compensated residual frames, which are combined with the motion-compensated extended base layer reference frames to construct temporal frames.